Birthday celebrations are big attractions at Pizza Time Theatre and Showbiz Pizza Place. From left, John Moser, 10, Ken Nichonski, 11, and Chris Egan, 10, all of Barrington, munch pizza at a Pizza Time party. Right, Jim Hallak fine-tunes an animated character at Showbiz.

Pizazz-filled pizza parlors rewriting recipe for success

by Pete Nanos
Herald staff writer

Picture yourself in a restaurant that features a cacophony of screaming children, the buzzing and flashing of arcade video games, dozens of video goodies and the singing of an animated rat or mechanical bear

Maddening for some it was a gold mine of an idea for the owners of Chuck E Cheese s Pizza Time Theatre and Showbiz Pizza Place two of the largest chains of restaurants designed to provide a night of food and entertainment for young families

An innovation in the restaurant industry, they became hot items Seemingly overnight they attracted the attention of children and investors to become darlings of the stock market — until the chill set in

Falling earnings and stock prices slowed expansion, leaving Pizza Time Theatres reorganizing under Chapter 11 of the federal bankruptcy law and Showbiz Pizza trying to reverse its own downward slide

AT THE ROOT of the problem the critics charged was oversaturation unsatisfactory food, high prices and a lack of things to hold the parents' interest — all of which had combined to drive away customers

Although both corporations have been seriously reeling by the downturn, each claims to be smothering the problems The pizza they say has been improved to make it more palatable to adult tastes and the entertainment options more unique from the 60s to appeal to parents of the baby-boom era

The hope is that the changes will bring back customers, and in doing so show a skeptical public that the party and fever for theme restaurants

"We think there will continue to be a demand as long as there are kids," said Paul Pendergast senior vice president for investor relations with the Hyatt Hotel Corp owners of Showbiz Pizza "There s nothing quite like us

That was the notion in 1977 when Pizza Time Theatres was unveiled by Atari founder Nolan Bushnell in San Jose Calif Bushnell later purchased the restaurant s rights and assets and resigned from Atari to become Pizza Time Theatres full-time chairman of the board

FEATURING A SMILING robot rodent named Chuck E Cheese Pizza Time Theatres was inspired by Farrell s Ice Cream Parlors and a California restaurant that featured music from a massive pipe organ

The target company officials said was providing food and entertainment for young families — a market that had been largely untapped in previous years

Three years later hotel magnate Robert Brock abandoned plans to become a Pizza Time franchisee and started his own family restaurant The first Showbiz Pizza Place in Kansas City Mo , featured a mechanical banjo-playing bear named Billy Bob

Each restaurant chain offered animated musical shows a video game room birthday parties and pizza as the specialty of the house To foster the family atmosphere and prevent the restaurants from becoming teen hangouts, each company adopted a rule barring children under the age of 16 from entering without an adult

The result was snowballing success

Pizza Time Theatres went from 25 restaurants in 1980 to 256 in 36 states and three foreign countries by 1983 — about half of which are franchised Showbiz grew to 133 company owned and 48 franchise owned outlets across the United States during the same period

THE EXPANSION INCLUDED the Chicago area where eight Showbiz Pizza and two Pizza Time Theatre restaurants are operating

But in 1983 a dark cloud appeared over the theme restaurant heavens which had attracted a handful of small investors and overstimulated many markets

Customer traffic counts and earnings started shrinking, forcing many small firms to throw in the towel and holding down stock prices of Pizza Time and Showbiz, stock market analysts said

Basically the stocks went south when the earnings went south said Michael Culp vice president and senior restaurant analyst for Prudential-Bache in New York City

Culp said he recently completed an overview report of the restaurant industry in which he traced the progress of 40 stocks since their 1983 peak prices He found that Showbiz and Pizza Time were among the biggest losers

The report, he said, showed that Family Entertainment Centers a franchisee for Pizza Time, saw its stock slip to $1 from its 1983 peak of $13 Pizza Time dropped to $3 per share a fall from a high of $17, and Hyatt Hotels (owners of Showbiz) was down from $61 to $7 per share

THE MAIN VILLAINS, Culp said were poor-quality pizza and rapid growth of the chains that led to a 'cannibalization' of each other The video game novelty also wore off with the advent of home game cartridges, he said

"The fact that people can find video games in hotels airport terminals, barbershops virtually anywhere, has reduced the incentive for people to go to Pizza Time or Showbiz, " he said

Worse expensive prices and a lack of diversions for adults also helped reduce the number of families that returned to the restaurants for a second visit

There's nothing for parents to do — it's baby-sitting at one level Culp said

As a result he expects to see another chain expansion during 1984, and some poorly performing outlets might be closed

"People either like them a lot or they don't like them at all," said Jane Wallace, vice president and editor of Restaurants and Institutions Magazine She added that when the chains do expand again, it will be at a slower rate than before

"I THINK THE IDEA is a good one I think it s fun, Wallace said "The lesson they found was that you couldn t expect people to come in just because of games — you need decent food too"

Pizza Time and Showbiz officials agree they had problems in the past and are curtailing expansion, but they stressed there is a market for their product and they are in business to stay

When you start a new idea — entering a new niche of the food industry — you want to grab as much as you can as fast as you can You re bound to make mistakes said Jon Porter communications manager with Pizza Time Theatres

Company officials say a perception that the food was of poor quality, an oversaturation and a difficult marketing problem — adults being dragged to the rest urant by their children — caused a rough ride through 1983

After suffering a nearly 66 million loss through the first three quarters of 1983, the deficit ballooned to a projected $16 million during the fourth quarter alone forcing Pizza Time Theatres to take refuge under Chapter 11 s protection

In addition 18 Pizza Time stores closed in 1983 and another 19 shut down in February Founder Bushnell resigned as chairman chief executive officer and director on Jan 31, officials said

BUT THE COMPANY has spent the past year upgrading the pizza so parents will like it more and revamping the video technology robotics and music Porter said

"We want to be a restaurant where adults know they can take the family and it will be reasonably inexpensive and they can get good food " he said

Mike Ramsey, Pizza Time's director of communications said the company also has closed one division, is negotiating to sell another and is closing stores to concentrate solely on the restaurant business

We have 121 company-owned stores in place We ve got the machine there — what we ve got to do is get it to run better," Ramsey said

Company officials and franchisees — including Little Caesar's Restaurants which owns Pizza Time restaurants in Hoffman Estates and Chicago — stressed that not all stores are having problems

Lea Finch director of marketing and public relations for Little Caesar's, said the franchisee produces better pizza and entertainment than the corporation, which has kept profits and customer counts at a steady level in recent years She added that the Chicago stores are consistently rated among the top 15 Pizza Time franchisee-owned units in the country

"WE'RE DOING WELL without the corporation and I think one of the important reasons why is because

(Continued on Page X)

The restaurants are the 'in' place for tykes. Here, Chuck E. Cheese, Pizza Time Theatre's star, talks with Mark Hampson of Hoffman Estates.

Photos by Jon Kim

Entertainment is also an attraction. For Liz Holst, left, and Kelly Bain, that includes romping in a pit of plastic balls.

PIZAZZ-FILLED PIZZA PARLORS REWRITING RECIPE FOR SUCCESS

(The Sunday Herald - April, 1984)

Date of Origin: 1984
Archived: 4-24-08
Submission by Darryl H.
Version 1.0

The documents contained herein are for educational use only. Please do not replicate, redistribute, or make any unauthorized printings. All intellectual property including characters, artwork, photography, and slogans are trademark and/or copyright their respective owners.